

STATE OF MINNESOTA  
OFFICE OF ADMINISTRATIVE HEARINGS  
FOR THE DEPARTMENT OF COMMERCE

In the Matter of the Insurance Producer's  
License, the Real Estate Closer License,  
and the Notary Commission of Cynthia T.  
Strand

**FINDINGS OF FACT,  
CONCLUSIONS OF LAW,  
AND RECOMMENDATION**

This matter came on before Administrative Law Judge Manuel J. Cervantes (ALJ) pursuant to a Notice for Hearing and Order to Show Cause, filed April 7, 2010.

Michael J. Tostengard, Assistant Attorney General, represents the Department of Commerce (Department). Cynthia T. Strand (Respondent or Respondents) appeared on behalf of herself and Strand Closing Services, Inc.

By letter dated April 28, 2010, Ms. Strand requested a continuance in order to obtain private legal counsel. Her request was granted without objection.

On August 24, 2010, Mr. Tostengard informed the ALJ that Ms. Strand had been charged criminally in District Court alleging conduct similar in nature as alleged in the Department's Notice for Hearing and Order to Show Cause. He requested that the hearing scheduled for September 16, 2010 be utilized for the purpose of verifying the current status of this matter rather than proceeding to an evidentiary hearing as scheduled. The ALJ granted the Department's request in a Scheduling Order, dated August 26, 2010.

On September 26, 2010, Mr. Tostengard appeared on behalf of the Department as scheduled. Ms Strand did not. In a letter, dated September 23, 2010, the Department moved for default judgment.

Because it was not clear from the ALJ's Scheduling Order of August 26, 2010 that failure to appear on the part of the Respondent could result in default judgment, the ALJ declined to enter default judgment at that time. Instead, the matter was continued to October 15, 2010 for hearing.

On October 15, 2010, prior to the start of the hearing, the Respondents and the Department's counsel entered into a stipulation whereby the Respondents would not admit the allegations set forth in the Statement of Charges nor would she contest them. The Respondents reserved the right to make argument directly to the Commissioner of Commerce regarding the appropriate sanction to be imposed against her under the circumstances.

## **STATEMENT OF ISSUES**

1. Did Respondents violate of Minn. Stat. § 60K.32 (2008) by soliciting, negotiating or selling insurance in Minnesota without a valid license;
2. Did Respondents violate Minn. Stat. § 60K.43, subd. 1(4) (2008) by improperly withholding, misappropriating, or converting money received in the course of doing insurance business on at least 42 transactions;
3. Did Respondents violate Minn. Stat. §§ 45.027, subd. 7(4), 60K.43, subd. 1(4) and (8), and 72A.20, subd. 18 (2008), and Minn. R. 2795.1000 (2009) by failing to remit insurance premiums;
4. Is Respondents in violation of Minn. Stat. § 60K.43, subd. 1(2) (2008) by violating numerous insurance laws and regulations;
5. Did Respondents violate Minn. Stat. § 60K.43, subd. 1(5) (2008) by misrepresenting the terms of an actual or proposed insurance contract or application for insurance;
6. Did Respondents violate Minn. Stat. §§ 45.027, subd. 7(a)(4), 60K.43, subd. 1(8), and 82.35, subd. 1(b) and (f) (2008) by using fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness, or financial irresponsibility;
7. Did Respondents violate Minn. Stat. § 60K.43, subd. 1(10) (2008) by forging another's name to an application for insurance;
8. Did Respondents violate Minn. Stat. § 60K.43, subd. 1(17) (2008) by performing residential mortgage activity regulated under Minn. Stat. ch. 58, thereby violating standards of conduct;
9. Did Respondents violate Minn. Stat. § 60K.49, subd. 2 (2008) by failing to obtain an appointment with an insurer before engaging in the business of insurance;
10. Did Respondents violate Minn. Stat. § 72A.20, subd. 18 (a)(b) (2008) by improperly withholding, misappropriating, or converting money belonging to a policyholder, beneficiary, or other person when received in the course of the insurance business and engaging in a fraudulent, coercive, or dishonest practice in connection with the insurance business, constituting an unfair method of competition and an unfair and deceptive act or practice;
11. Did Respondents violate Minn. Stat. § 72A.03 (2008) by fraudulently procuring payment or an obligation for the payment of insurance premiums;
12. Did Respondents violate Minn. Stat. § 82.35 1(b) and (f) (2008) by engage in a fraudulent, deceptive, or dishonest practice;

13. Did Respondents violate Minn. Stat. § 82.41, subd. 13(b)(11) and (12) (2008) by failing within a reasonable time to account for or remit any money coming into the licensee's possession which belongs to another and comingling property trust funds of another held by the licensee;

14. Did Respondents violate Minn. R. 2795.1000 (2009) by failing to observe high standards of commercial honor and just and equitable principles of trade in the conduct of the agent's insurance business?

15. If so, are Respondents subject to discipline and/or a civil penalty?

Based upon all the files records, and proceedings herein, the ALJ makes the following

### **FINDINGS OF FACT**

1. On April 7, 2010, the Department served a Notice of and Order for Hearing, Order to Show Cause, Order for Summary Suspension, and Statement of Charges in this matter upon Cynthia T. Strand and Strand Closing Services, Inc.

2. During the course of these proceedings, the matter was scheduled for a hearing on October 15, 2010.

3. On October 15, 2010, counsel for the Department and Respondent Ms. Strand notified the ALJ that they had reached a stipulation. Under the stipulation, Respondents do not admit the allegations in the Statement of Charges nor will she contest those allegations. The parties also stipulated that the Respondents reserve the right to make argument to the Commissioner regarding the appropriate sanction to be imposed against her. As a result, the hearing was cancelled.

4. Based upon the stipulation entered into between the Department and Respondents, the allegations contained in the Statements of Charges and reiterated below are not admitted or contested. The Respondent reserves her right to present argument to the Commissioner regarding what sanctions should be imposed.

### **Introduction**

5. Respondent Cynthia T. Strand is currently licensed as a real estate closer (No. 20122534) and as a notary (No. 6132423). The Respondent is also currently licensed as a title insurance producer (No. 20017292). That license was acquired on April 4, 2009. She had previously been licensed as an insurance producer but the license became inactive on November 1, 1997.

6. At all material times, the Respondents operated a real estate closing services business known as Strand Closing Services, Inc., in Forest Lake, Minnesota. After receiving a complaint concerning the Respondents' activities, the Department attempted to conduct an investigation of the Respondents' business activities. A search

warrant was ultimately executed when it became apparent that the Respondent might have been destroying business documents.

### **RBank Complaint**

7. On October 19, 2009, the Department received a complaint from PBT, an attorney, representing RBank. The complaint involved a loan for an 8-plex rental property ("rental property") located at 1009 S.E. First Street, Forest Lake, Minnesota, to SAS Rental Properties, LLC, a company controlled by Steve and Cynthia Strand. The total loan amount was for \$600,000 of which \$507,494.29 was to be paid to PBank to satisfy an existing first mortgage on the rental property. The loan was closed by Strand Closing. Strand Closing did deliver a title insurance commitment to RBank, but RBank did not receive a final title insurance policy. The SAS Rental loan went into default and RBank discovered that the PBank loan had not been paid off, but remained in place and had been recently amended. SAS Rental was also delinquent on property taxes due to Washington County.

8. On January 22, 2007, Respondent, through Strand Closing, closed on the refinancing of the property. That same day Respondent deposited RBank's \$600,000.00 loan amount into Strand Closing's disbursement account. Respondent ordered a title insurance commitment through First Choice Title Company ("First Choice Title") for the benefit of RBank from First American Title Insurance Company ("First American Title").

9. Respondent did not pay off PBank for its preexisting mortgage as required by RBank or First American's title commitment letter. Despite depositing RBank's loan amount, Respondent did not pay off the preexisting PBank mortgage on closing date or the day after. By January 24, 2007, Respondent Closing's disbursement account balance was \$471,252.76, less than the \$507,494.29 owed to PBank for the mortgage.

10. From February 2007 through September 2009, Respondent made simultaneous monthly mortgage payments to both PBank and RBank for the mortgages each bank lent to SAS Rental. During this time, Respondent was delinquent on both PBank's and RBank's mortgages. Both banks submitted notices to and called Respondent, ensuring that she was aware of both delinquencies.

11. While conducting an audit, RBank discovered that Respondents had not recorded its mortgage against the Rental Property. RBank also discovered that Respondents had not paid off PBank's preexisting mortgage and those Respondents, through SAS Rental, had modified its mortgage with PBank for the Rental Property. RBank discussed the problem with Respondent who stated that she did not know why RBank's mortgage had not been recorded, but that it should have been. RBank also discussed the problem with First American Title and First Choice Title. RBank was told that because no premiums had been remitted to First American Title and the terms of the title commitment letter were not executed, no title insurance policy had been issued.

12. As of December 8, 2009, Respondent has not repaid RBank the balance of its loan. Further, RBank has no secured claim against the Rental Property. Finally, PBank has initiated foreclosure against the Rental Property and has the only secured claim. Additionally, Respondent misrepresented in a bankruptcy filing with the United States Bankruptcy Court for the District of Minnesota that RBank is a secured creditor.

13. The minimum amount of funds in RBank/SAS Rental transaction that Respondent allegedly improperly withheld, misappropriated, or converted for personal use, total approximately \$594,000.

14. Shortly after the Department started its investigation into RBank's complaint, it received numerous complaints alleging that funds brought to real estate closings at Strand Closing had not been paid, including payoffs for property purchased by the City of Forest Lake.

### **City of Forest Lake**

15. The City of Forest Lake pursued buying two adjacent properties for a road project. The closings occurred simultaneously with Charles P. Robinson, City Administrator ("Robinson"), representing Forest Lake. Strand Closing Services was contacted by Forest Lake to close the transactions.

### **C. Transaction**

Seller: J. and J. C.  
 Buyer: City of Forest Lake, Charles P. Robinson, City Administrator  
 Subject Property: 12th Street SW, Forest Lake, MN  
 County: Washington  
 Closed: October 13, 2009

Contract sales price	167,000.00		
City of Forest Lake Settlement Charges:			
• Closing fee to Strand	• 200.00		Paid to Strand
• Title Exam fee to First American Title	• 150.00		Not paid by Strand
• Title insurance fee to First Choice Title	• 603.00		Not paid by Strand
• Lot location/review fee to First American Title	• 60.00		Not paid by Strand
• Name search fee to First American Title	• 15.00		Not paid by Strand
• Recording fee to Washington County	• 46.00		Not paid by Strand
• State tax/deed fee to Washington County	• 551.10		Not paid by Strand
• Recording service/review fee to Strand Closing	• 25.00		Services not performed

County Taxes 10/13/09 to 12/31/09	300.27		Paid to Seller
Total Settlement Charges Not Paid	1,650.10		
Gross from Borrower	168,950.37		Check #75420 Deposited — 10/13/09 Cleared — 10/14/09

Gross amount due to seller (C.)	167,300.27		
C's Settlement charges			
• Closing fee to Strand	• 325.00		Paid to Strand
• Abstract/Title search fee to First American Title	• 275.00		Not paid by Strand
• Assessment search fee to First American Title	• 30.00		Not paid by Strand
• Recording fee to Washington County	• 46.00		Not paid by Strand
• Conservation fee	• 5.00		Not paid by Strand
• Recording service/review fee to Strand Closing	• 25.00		Services not performed
• Courier/service fee to Strand Closing	• 25.00		Services not performed
Payoff first mortgage	158,820.45		Not paid by Strand
2009 second half taxes	685.00		Not paid by Strand
Total Settlement Charges	731.00		
Cash to seller	7,063.82		Paid -check #44342 Cleared -10/15/09

16. Robinson brought a check in the amount of \$168,950.37 to the closing. This amount represented the gross amount due from the purchaser. On October 13, 2009, Respondent deposited the money collected and credited it to the Strand Closing disbursement account at PBank. At closing on October 15, 2009, Respondent remitted \$7,063.82 to C.

17. Respondent was to pay off the first mortgage loan with JP Morgan Chase ("Chase") in the amount of \$158,820.45. Respondent never remitted a check for the first mortgage. Robinson received a call from C. informing him that Chase had not received the payoff. Forest Lake, in turn, contacted Respondent. According to Robinson, Respondent told him that there was a problem with the check; that it had to do with an "inaccurate account number" written on the check for the loan at Chase and that is why the money was "not applied." Respondent said she would have the funds wired to Chase. The funds were never wired. Instead, the original check was remitted and drawn against the Strand Closing account on October 30, 2009. However, Strand Closing's account balance was overdrawn and the check was returned as "NSF."

18. The Department's investigation further revealed that Respondent collected fees to record the deed with Washington County but failed to record the deed with the

county. The City of Forest Lake had to prepare a new deed and it has since been recorded, showing the transfer of ownership of the properties to the City of Forest Lake.

19. Fees collected at closing by Respondent were never paid to Washington County. When Forest Lake found out that the fees had not been paid by Respondent, it again paid the fees so the city could go forward and get the transaction recorded. The City of Forest Lake has also paid the October and November 2009 mortgage payment to JP Morgan Chase to avoid potential foreclosure proceedings on the C. property.

\$551.10	State deed tax
5.00	Conservation fee (paid from sellers' funds initially)
46.00	Recording fee

20. The minimum amount of funds in the City of Forest Lake/C. transaction that Respondent improperly withheld, misappropriated, or converted for personal use, total approximately \$161,886.

#### W. Transaction

Seller: L.A. W.  
 Buyer: City of Forest Lake  
 Subject Property: 12<sup>th</sup> Street SW, Forest Lake, MN  
 County: Washington  
 Closed: October 13, 2009

Contract sales price	172,000.00		
Moving allowance	3,500.00		
City of Forest Lake Settlement charges			
• Closing fee to Strand	• 200.00		Paid to Strand
• Title Exam fee to First American Title	• 150.00		Paid to Strand
• Title insurance fee to First Choice Title	• 542.70		Paid to Strand, not remitted to First Choice
• Lot location/review fee to First American Title	• 60.00		Paid to Strand, not remitted to First American
• Name search fee to First American Title	• 15.00		Paid to Strand, not remitted to First American
• Recording fee to Washington County	• 46.00		Not paid by Strand
• State tax/deed fee to Washington County	• 567.60		Not paid by Strand
• Recording service/review fee to Strand Closing	• 25.00		Services not performed
Total Settlement Charges	1,606.30		
County Taxes 10/13/09 to 12/31/09	275.29		
Gross from borrower	177,381.59		Check #75419

		Deposited— 10/13/09 Cleared — 10/14/09
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Gross amount due to seller (W.)	175,775.29	
Seller's Settlement Charges:		
• Closing fee to Strand	• 325.00	Paid to Strand
• Abstract/Title search fee to First American Title	• 366.00	
• Assessment search fee to First American Title	• 30.00	
• Recording fee to Washington County	• 46.00	Not paid by Strand
• Conservation fee	• 5.00	Not paid by Strand
• Recording service/review fee to Strand Closing	• 50.00	Services not performed
• Courier/service fee to Strand Closing	• 25.00	Services not performed
• Additional Recording fee to Washington County	• 46.00	Not paid by Strand
Total Seller's Settlement Charges	893.00	
Payoff first mortgage	40,541.86	
2009 second half taxes	628.00	Not paid by Strand
Cash to seller	133,712.43	Check #44349 Clear – 10/16/09

The gross amount of \$177,381.59 due from the City of Forest Lake on the W. transaction was credited to the same account as the C. transaction. At the time of both of these deposits, the disbursement account was already overdrawn by \$50,083. Since the account was overdrawn there were not enough funds in the disbursement account and Respondent was unable to completely pay the financial obligations of the Forest Lake transactions.

21. Respondent was to pay off the first mortgage loan on the W. property with Citibank in the amount of \$40,541.86; however, there is no evidence that payment was ever remitted. According to Forest Lake, the nonpayment to the mortgage company came to light when Ms. W. had a conversation with her neighbor, C., who explained the problem he had with Respondent not sending payment to his mortgage company to pay off his loan. This prompted Ms. W. to inquire as to her mortgage payoff which is when she learned that Respondent had not remitted the payment Respondent collected at closing. The City of Forest Lake has since sent full payment to Citibank for the W. mortgage.

22. The Department's investigation further revealed that Respondent collected fees to record the warranty deed with Washington County, but failed to record the deed



with the county. As with the C. property, the City of Forest Lake prepared a new deed and paid for and recorded the new deed showing the transfer of ownership to the City of Forest Lake.

23. Fees collected at closing by Respondent and again paid by the City of Forest Lake subsequent to the October 13, 2009 closing total the following:

State deed tax	\$551.10
Conservation fee (paid from sellers' funds initially)	5.00
Recording fee	46.00
Payoff sent to Citibank (a little less than noted on line 504 of HUD)	40,175.44
2009 second half taxes (amount on line 506 of HUD plus interest and/or late fee)	665.68

24. As noted in the table above, subsequent to the October 13, 2009 closing, when the City learned that Strand had not sent payment to Washington County for the taxes, the City paid the full amount directly to the county.

25. The minimum amount of funds in the City of Forest Lake/W. transaction that Respondent improperly withheld, misappropriated, and converted for personal use, total approximately \$43,669.

#### **W./G. Transaction**

Seller: C. and M. G.  
Buyer: A. and J. W.  
Subject Property: Edgewater Road N.E., Pine City, MN  
County: Pine  
Closed: October 6, 2009

26. On October 6, 2009, A. W. and J. W. purchased a property located at 16368 Edgewater Road N.E., Pine City, Minnesota from C. and M. G. The G.'s signed the closing documents on or about October 1, 2009 at Signatures Closing & Title, Inc. in Pine City, but the actual closing was scheduled for October 6, 2009 at Strand Closing Services, Inc. in Forest Lake.

27. The purchase price of the property was \$130,000 and the W.'s were told by their lender they needed to bring a down payment of \$13,000 (10% of loan amount) to the closing as well as an additional \$1,766.60 for the associated fees, charges, and taxes. The closing occurred on October 6, 2009 at Strand Closing Services, Inc. in Forest Lake, Minnesota. The W.'s provided Strand the down payment and the associated fees and taxes, which she deposited in her account. The G.'s received the \$45,443 proceeds check issued from Strand Closing Services and deposited into their bank account and later discovered that Strand's disbursement account was overdrawn. On 10/14/2009, Respondent deposited funds from the City of Forest Lake transactions described above into the disbursement account which then was used to pay the G.

check, leaving insufficient funds to pay financial obligations in the City of Forest Lake transactions. The G.'s later discovered that the \$78,967.00 payment Respondent was obligated to provide to their lender was never made.

28. Respondent also failed to pay \$269.10 to the Pine County Treasurer for recording the well certificate, \$545.00 for the second half of 2009 taxes, \$92.00 for recording fees and \$429.00 for the seller's deed tax.

29. The minimum amount of funds in the W./G. transaction that Respondent improperly withheld, misappropriated, and converted for personal use, total \$80,302.

### **L. C. Refinance**

30. On October 8, 2009, Respondent closed the refinance of a property located on Ingersoll Avenue North, Forest Lake, Minnesota for L.C. On October 14, 2009, Respondent received \$145,723.37 to fund the L.C. refinance.

31. The prior lender was owed \$126,206.34 for its first mortgage and \$17,409.54 for its second mortgage, for a total of \$143,615.88. Strand did pay off the first mortgage by direct wire on October 16, 2009. Respondent issued a check for the second mortgage, however, which was returned for insufficient funds.

32. As of November 18, 2009, when the Respondent's disbursement account was closed, no check had cleared, leaving the prior lender with an unsatisfied obligation of \$17,409.54.

33. Additionally, there are other payments due in connection with the L.C. refinance which Respondent did not make. Respondent failed to make payments of \$345.00, \$5.00 and \$46.00 to Washington County for mortgage related fees. Consequently, the refinancing lender's mortgage has not been recorded.

34. Despite the non-payments to other payees, on October 14, 2009, Respondent cashed a check for \$392.00 made payable to Strand Closing for closing services. She deposited the payment into the company's account.

35. Respondent further issued a falsified closing protection letter ("CPL"). The CPL protects the lender from, among other things, fraudulent actions by the agent. The CPL purportedly covered the L.C. transaction, was actually a forged document copied from a different transaction.

36. Upon information and belief, and because it was in the closing file prepared by Respondent, it is believed that Respondent prepared or directed the manufacture of the forged CPL and fraudulently presented it as true.

37. The minimum amount of funds in the L.C. transaction that Respondent improperly withheld, misappropriated, or converted for personal use, total \$17,409.

## **S./G. Transaction**

38. On May 5, 2009, Respondent closed a sale of a property located on 382nd Drive, North Branch, MN 55056. M.S. purchased the property from J. and L.G. On May 5, 2009, Respondent received \$196,737.69 to fund the purchase.

39. The prior lender was owed \$154,150.94 for its mortgage. Respondent failed to provide this payment to the prior lender.

40. Respondent also issued a \$1,144 check to Strand Closing in connection with the transaction but it did not correspond with any amount on the HUD-1. The check cleared although it is unclear why a check was issued in June rather than May when the transaction occurred.

41. Finally, Respondent did not record the change of title. Chisago County's property records show that as of November 16, 2009, G. was still listed as the Primary Taxpayer/Owner. If Respondent had properly recorded the change of title, S. should have been listed as the property owner.

42. The minimum amount of funds in the S./G. transaction that Respondent improperly withheld, misappropriated, and converted for personal use, total \$158,255.74.

## **C.P. LLC./C.L. Company LLC Transaction**

43. On January 25, 2010, the Commerce Department received information concerning a real estate transaction that occurred on November 4, 2008. The transaction involved C.P., LLC purchasing a property on Wright Street, Brainerd, MN from C.L. Company, LLC.

44. Additionally, an escrow in the amount of \$115,000.00 was set aside at closing because of the possibility of contaminants on the property. The escrow agreement indicated that these funds were to be transferred to a title insurance company until completion by the seller of any Minnesota Pollution Control Agency ("MPCA") requirements. In November 2009, the MPCA issued a letter to C.L. Company, LLC indicating that "your investigation and/or cleanup has adequately addressed the petroleum tank release at the site" and the file was being closed. In January 2010, a letter was sent to the parties involved in the transaction requesting release of the funds held in escrow. Respondent, however, had never transferred the funds.

45. The minimum amount of funds in the C.P., LLC/C.L. Company, LLC transaction that Strand improperly withheld, misappropriated, or converted for personal use, total \$120,515.50.

## **B.N. Refinance**

46. On September 24, 2009, Respondent closed a refinance for B.N. On September 29, 2009, Strand Closing received \$195,989.84 from the refinancing lender into the disbursing account to fund the refinance.

47. The prior lender was owed \$116,379.76 for its first mortgage and \$35,370.28 for a second mortgage, for a total of \$151,750.04. N.'s ex-wife, S.N., was owed \$40,000.00 for a marital lien against the property. N. was also owed \$597.80 as reimbursement for overpayment on the refinance. There were also other obligations totaling \$7,652.16. However, Strand Closing's disbursement account did not have adequate funds to make these payments.

48. At the close of September 29, 2009, the disbursement account balance was \$136,768.26, or \$55,579.58 less than monies owed in connection with the refinance. This is because Respondent had used funds from B.N.'s refinance to pay off liens associated with another transaction.

49. Respondent issued several checks in connection with this transaction which were returned for insufficient funds and, in addition, issued a fraudulent CPL copied from another transaction.

50. The minimum amount of funds in the B.N.'s refinancing transaction that Respondent improperly withheld, misappropriated, and converted for personal use, total \$3,092.

## **S.G./E. Construction Co. Transaction**

51. On January 5, 2010, S.G. contacted the Department and filed a complaint involving Respondent. Respondent performed a closing for S.G.'s property located on Highview Loop SE, Pine City, Minnesota. The closing occurred on August 28, 2009, and S.G. paid \$140,000 in cash for the property.

52. S.G. later discovered that the funds paid at closing for back taxes from 2007 to current had not been paid as well as recording fees, title fees including title premiums, and the state deed tax.

53. Respondent also failed to record the warranty deed. The minimum amount of funds in the S.G./E. Construction Co. transaction that Respondent improperly withheld, misappropriated, or converted for personal use, total \$6,363.43.

## **K. M. Refinance Transaction**

54. On August 26, 2009, Respondent closed a refinance for K.M. Respondent received \$248,317.33 from the refinancing lender into her Disbursement Account. These funds were enough to meet all of K.M.'s refinance obligations.

55. The prior lender was owed \$226,170.90 for its first mortgage. Respondent issued the lender a check which was returned for insufficient funds on October 2, 2009, and ultimately failed to satisfy all of the amounts due.

56. The minimum amount of funds in the K.M. refinance transaction that Respondent improperly withheld, misappropriated, or converted for personal use, total \$22,134.83.

#### **J. and C.C./C.P. Holdings Transaction**

57. On December 23, 2009, the Commerce Department received a police report from the Forest Lake Police Department. The complaint involves J. and K.C., owners of J. & K. Investment Holdings, LLC, and the real estate sale of a property located on Old Town Road, Chisago City, MN, on September 9, 2009 on a contract-for-deed to C.P. Holdings, LLC. Respondent performed the closing and had been given Power of Attorney and permission to sign his name at closing, since he was not able to attend the closing. Respondent failed to pay the proceeds of \$2,870.69 from the transaction, and failed to release \$8,000 that was being held in escrow for a new roof for the building. Respondent also failed to pay \$2,135 of county taxes, and other fees.

58. The minimum amount of funds in the J. and K.C./C.P. Holdings transaction that Respondent improperly withheld, misappropriated, or converted for personal use, total \$14,102.14.

#### **R.P./M. Industries Transaction**

59. R.P. contacted the Commerce Department to file a complaint involving Respondent, who performed closing on a Contract-for-Deed sale to M. for a purchase price of \$400,000. Respondent failed to release funds from an escrow account for the transaction which had been created to address title issues.

60. The minimum amount of funds in the R.P./M. Industries transaction that Respondent allegedly improperly withheld, misappropriated, or converted for personal use, total \$11,250.

#### **C.A./P. Development LLC Transaction**

61. On August 31, 2009, C.A. purchased property on Pathways Avenue, White Bear Lake, MN, from P. Development, LLC. Respondent, as closer, owed \$1,089.00 and \$430.00 in title insurance premiums as well as recording fees (\$138.00), 2009 second half taxes (\$829.00), one year's association dues (\$3,960.00) and state tax and conservation fees (\$1,008.00). Respondent failed to make these payments.

62. The minimum amount of funds in the C.A./P. Development transaction that Respondent improperly withheld, misappropriated, and converted for personal use, total \$7,454.

### **T.B./N.R. Transaction**

63. On June 5, 2009, T.B. purchased property on 10th Street S.W., Forest Lake, MN from G.N.R..

64. The minimum amount of funds in this transaction that Respondent improperly withheld, misappropriated, and converted for personal use, total \$995.

### **K.B./R.O. Transaction**

65. On June 26, 2009, K.B. purchased property on 259th Street, Wyoming, MN, from R.O., closed by Respondent.

66. The minimum amount of funds in this transaction that Respondent improperly withheld, misappropriated, and converted for personal use, total \$1,468.

### **T.C. /Citi Mortgage Transaction**

67. On March 20, 2009, T. C. purchased property on Main Street North, Center City, MN from Citi Mortgage, Inc., closed by Respondent.

68. The minimum amount of funds in this transaction that Cynthia Strand improperly withheld, misappropriated, and converted for personal use, total \$1,855.87.

### **C & F Investments/T.C Transaction**

69. On September 9, 2009, C & F Investments FL, LLC, purchased property on 209th Lane N.E., Linwood, MN from T.C., closed by Respondent.

70. The minimum amount of funds in this transaction that Respondent improperly withheld, misappropriated, or converted for personal use, total \$687.80.

### **C.F./J.C Transaction**

71. On August 7, 2009, C.F. purchased property on Forest Boulevard, Harris, MN, from J.C., closed by Respondent.

72. The minimum amount of funds in this transaction that Respondent improperly withheld, misappropriated, or converted for personal use, total \$4,735.04.

### **F. & J.K./P. Development LLC Transaction**

73. On August 26, 2009, F. & J. K. purchased property on Pathways Avenue, White Bear Lake, MN, from P. Development, LLC. The Purchaser's Closing Statement and the Seller's Closing Statement reflect that funds retained for disbursement by Respondent included settlement fees and title insurance (\$879.00), settlement fees (\$216.00), 2009 second half taxes (\$1088.00), One Year Association Dues (\$3,120.00), recording fees (\$92.00), and state taxes (\$794.92). Respondent failed to pay these

amounts. When F.K. discovered this he filed a claim with First American Title, which denied the claim.

74. The minimum amount of funds in this transaction that Respondent improperly withheld, misappropriated, or converted for personal use, total \$6,189.92.

#### **J.K./C.P. Exchange Transaction**

75. On June 29, 2009, J.K. purchased property on Lakeside Drive, Lindstrom, MN, from C.P. Exchange, closed by Respondent.

76. The minimum amount of funds in this transaction that Strand improperly withheld, misappropriated, or converted for personal use, total \$1,023.75.

#### **C.K./K.P. Transaction**

77. On May 29, 2009, C.K. purchased property on Iris Court, Cambridge, MN, from K. and J.P., closed by Respondent.

78. The minimum amount of funds in this transaction that Respondent improperly withheld, misappropriated, and converted for personal use, total \$1,794.79.

#### **K.K./F.N. Mortgage Association Transaction**

79. On January 28, 2009, K.K. purchased property on Floral Court, Wyoming, MN, from F.N. Mortgage Association, closed by Respondent.

80. The minimum amount of funds in this transaction that Respondent improperly withheld, misappropriated, and converted for personal use, total \$1,131.50.

#### **S.K./F.M. Transaction**

81. On April 24, 2009, S.K. purchased property on 230th Street Lane North, Forest Lake, MN, from F.M., closed by Respondent.

82. The minimum amount of funds in this transaction that Respondent improperly withheld, misappropriated, and converted for personal use, total \$1,649.99.

#### **A.N./J.P Transaction**

83. On June 29, 2009, A.N. purchased property on 3rd Avenue South, Bloomington, MN, from J. and J.P., closed by Respondent.

84. The minimum amount of funds in this transaction that Respondent improperly withheld, misappropriated, or converted for personal use, total Respondent.

### **W.P./E.G. Transaction**

85. On September 18, 2009, W.P. purchased property on East Street, White Bear TWSP, MN, from E.G. closed by Respondent.

86. The minimum amount of funds in this transaction that Respondent improperly withheld, misappropriated, or converted for personal use, total \$3,177.20.

### **S.R./S. Construction Inc. Transaction**

87. On October 9, 2009, S.R. purchased the property on North Main Street, Center City, MN, from S. Construction, Inc. The Purchaser's Closing Statement, the Seller's Closing Statement, and the Disbursement Statement reflect that funds retained for disbursement by Respondent included 2009 second half taxes (\$1,313.00), MRT on mortgage (\$4.60), recording fees (\$92.00), and settlement fees (\$339.00). Respondent failed to pay these items.

88. The minimum amount of funds in this transaction that Respondent improperly withheld, misappropriated, and converted for personal use, total Respondent.

### **L.S./L.B Construction, Inc. Transaction**

89. On June 25, 2009, L.S. purchased property on 384th Trail, North Branch, MN, from L.B. Construction, Inc., closed by Respondent.

90. The minimum amount of funds in this transaction that Respondent improperly withheld, misappropriated, and converted for personal use, total Respondent.

### **W.S./T.S. Home Builders, LLC Transaction**

91. On July 17, 2009, W.S. purchased property on Enfield Avenue North, Forest Lake, MN, from T.S. Home Builders, LLC., closed by Respondent.

92. The minimum amount of funds in this transaction that Respondent improperly withheld, misappropriated, or converted for personal use, total Respondent.

### **K.S./R. Holdings, LLC Transaction**

93. On March 5, 2009, K.S. purchased property on 224th Avenue N.E., East Bethel, MN, from R. Holdings, LLC., closed by Respondent.

94. Respondent failed to pay off a second mortgage loan in the amount of \$3,000.00. When this was discovered, Respondent forged a check to make it look like this payment was made.



95. The minimum amount of funds in this transaction that Respondent improperly withheld, misappropriated, or converted for personal use, total \$4,185.

### **C.S. Refinance Transaction**

96. On September 25, 2009, C.S. refinanced his property on Explorer Avenue North, Forest Lake, MN, closed by Respondent.

97. The minimum amount of funds in this transaction that Respondent improperly withheld, misappropriated, or converted for personal use, total \$2,899.41.

### **J.S./W.A.F. Trustee Transaction**

98. On July 8, 2009, J.S. purchased property on Normandale Avenue, North Branch, MN, from W.A.F., acting as a Trustee, closed by Respondent.

99. The minimum amount of funds in this transaction that Respondent improperly withheld, misappropriated, and converted for personal use, total \$974.44.

### **J.A.S./J.J. Transaction**

100. On April 23, 2009, J.A.S. purchased property on Fairway Drive, Hudson, Wisconsin, from J.J., closed by Respondent.

101. The minimum amount of funds in this transaction that Respondent improperly withheld, misappropriated, and converted for personal use, total \$421.

### **G.T./C. Estate Transaction**

102. On June 26, 2009 G.T. purchased property on Island Drive, Forest Lake, MN, from the estate of C. The Purchaser's Closing Statement, the Seller's Closing Statement, and the Disbursement Statement reflect that funds retained for disbursement by Strand Closing included settlement fees and title insurance (\$661.55) and state taxes and recording fees (\$491.50). Respondent did not make these payments.

103. The minimum amount of funds in this transaction that Respondent improperly withheld, misappropriated, and converted for personal use, total \$1,153.05.

### **C.W./M.M. Transaction**

104. On October 5, 2009, C.W. purchased property on First Avenue S.W., Forest Lake, MN, from M. M. The Purchaser's Closing Statement, the Seller's Closing Statement, and the Disbursement Statement reflect that funds retained for disbursement by Respondent included settlement fees (\$305.00), water bill to the City of Forest Lake (\$223.10), recording fees (\$46.00) and insurance (\$967.25). Respondent did not pay these amounts.

105. The minimum amount of funds in this transaction that Respondent improperly withheld, misappropriated, and converted for personal use, total \$1,541.35.

#### **D.W./G.T. Transaction**

106. On June 26, 2009, D.W. purchased property on Forest Boulevard, Forest Lake, MN, from G.T., closed by Respondent.

107. The minimum amount of funds in this transaction that Respondent improperly withheld, misappropriated, and converted for personal use, total \$880.71.

#### **C.W./D.N Transaction**

108. On February 13, 2009, C.W. purchased property on Casselberry Court, North Branch, MN, from D.N., closed by Respondent.

109. The minimum amount of funds in this transaction that Respondent improperly withheld, misappropriated, and converted for personal use, total \$1,724.61.

#### **A.Z./J.B. Transaction**

110. On May 21, 2009, A.Z. purchased property on 16th Avenue SE., Forest Lake, MN from J.B., closed by Respondent.

111. The minimum amount of funds in this transaction that Respondent improperly withheld, misappropriated, and converted for personal use, total \$2,063.10.

#### **V.M./L.H. Transaction**

112. On July 29, 2009, L.H. purchased property on Kirby Boulevard, Chisago City, MN, from V.M. Respondent closed the transaction and, in the process, forged V.M.'s signature on the documents.

113. Funds retained for disbursement by included title insurance (\$634.00), settlement fees (\$355.00), 2009 first half taxes (\$1,017.45), recording fees (\$46.00), and state tax (\$610.50). Respondent did not make these payments and failed to record the warranty deed.

114. The minimum amount of funds in this transaction that Respondent improperly withheld, misappropriated, and converted for personal use, total \$2,662.95.

#### **D.M. Refinancing Transaction**

115. On January 26, 2009, D.M. refinanced his property on Kettle River Blvd. N.E., Columbus, MN, closed by Respondent.

116. The minimum amount of funds in this transaction that Respondent improperly withheld, misappropriated, and converted for personal use, total \$724.90.

## **Other NSF Checks**

117. Respondent issued two other checks not referenced above which were returned for insufficient funds. One check was for title insurance and settlement fees for a closing in 2009. Another check in the amount of \$9,280.00 was returned for insufficient funds on November 2, 2009. Per the Disbursement Statement and "Proposal" this check represents an escrow for septic tank on the sale of property on Green Lake Trail, Chisago City, MN. Respondent has not released the escrowed funds despite the parties' request.

## **Failing to Remit Premiums**

### **First Choice Title Company**

118. The Department's investigation also revealed that Respondent had not submitted premiums (\$8,238.38) and service fees (\$1,980) for at least 17 transactions, totaling \$10,218.38.

### **Key Title, Inc.**

119. Key Title, Inc. provided a list of insurance premiums that Strand Closing failed to remit to Key Title. In at least 18 real estate transactions, Respondent failed to remit title insurance premiums totaling \$9,357.38. Additionally, the owner/president of Key Title, Janet Vanderbilt, states they have never given approval for Respondent to produce any "Closing Protection Letters" or add her name to a closing protection letter.

### **Centerstone**

120. Respondent also failed to remit insurance premiums to Centerstone Title.

## **Numerous Withdrawals**

121. Respondent made numerous and fairly large cash withdrawals out of Strand Closing Service's General Account No. 101519. Between January 31, 2008 and September 30, 2009, Respondent withdrew a total of \$122,750 in cash from General Account No. 101519. Also, Respondent wrote checks from her Disbursement Account No. 101501 to herself, Strand Closing Services, SAS Rental Properties (the business she owned with her husband), and S.A. Strand Construction (her husband's business). The payments since January 1, 2007 through September 29, 2009 to Cynthia Strand or a business controlled by the Strands totaled \$1,069,471.47.

## **Soliciting, Negotiating, and Selling Insurance**

122. Respondent, while acting as a real estate closer, solicited, negotiated, and sold title insurance when she was not properly licensed to do so. Under Strand Closing Services she would present a Notice of Availability of Owner's Policy of Title Insurance.

Based upon these Findings of Fact, the ALJ makes the following

## **CONCLUSIONS**

1. The Administrative Law Judge and the Commissioner of Commerce have jurisdiction in this matter pursuant to Minn. Stat. §§ 14.50, 45.027, and 58.12.

2. The Notice and Order for Hearing, Order to Show Cause, Order for Summary Suspension, and Statement of Charges was proper, and the Department has complied with all relevant procedural legal requirements.

3. Pursuant to Minn. R. 1400.6000, a contested case may be decided adversely to a party who defaults. Upon default, the allegations and claims set forth in the Notice of and Order for Hearing, Order to Show Cause, Order for Summary Suspension, and Statement of Charges may be taken as true or deemed proved without further evidence.

4. Respondent has entered into a stipulation with the Department under which she does not admit and does not contest the allegations set forth in the Statement of Charges enumerated above. Accordingly, this matter will be handled similar to a default. The allegations contained in the Statement of Charges with respect to Respondent are taken as true.

5. Based upon the facts set forth in the Statement of Charges enumerated above, Respondent violated Minn. Stat. § 60K.32 (2008) by soliciting, negotiating or selling insurance in Minnesota without a valid license.

6. Based upon the facts set forth in the Statement of Charges enumerated above, Respondent violated Minn. Stat. § 60K.43, subd. 1(4) (2008) by improperly withholding, misappropriating, or converting money received in the course of doing insurance business on at least 42 transactions.

7. Based upon the facts set forth in the Statement of Charges enumerated above, Respondent violated Minn. Stat. §§ 45.027, subd. 7(4), 60K.43, subd. 1(4) and (8), and 72A.20, subd. 18 (2008), and Minn. R. 2795.1000 (2009) by failing to remit insurance premiums.

8. Based upon the facts set forth in the Statement of Charges enumerated above, Respondent in violation of Minn. Stat. § 60K.43, subd. 1(2) (2008) by violating numerous insurance laws and regulations.

9. Based upon the facts set forth in the Statement of Charges enumerated above, Respondent violated Minn. Stat. § 60K.43, subd. 1(5) (2008) by misrepresenting the terms of an actual or proposed insurance contract or application for insurance.

10. Based upon the facts set forth in the Statement of Charges enumerated above, Respondent violated Minn. Stat. §§ 45.027, subd. 7(a)(4), 60K.43, subd. 1(8), and 82.35, subd. 1(b) and (f) (2008) by using fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness, or financial irresponsibility.

11. Based upon the facts set forth in the Statement of Charges enumerated above, Respondent violated Minn. Stat. § 60K.43, subd. 1(10) (2008) by forging another's name to an application for insurance.

12. Based upon the facts set forth in the Statement of Charges enumerated above, Respondent violated Minn. Stat. § 60K.43, subd. 1(17) (2008) by performing residential mortgage activity regulated under Minn. Stat. ch. 58, thereby violating standards of conduct.

13. Based upon the facts set forth in the Statement of Charges enumerated above, Respondent violated Minn. Stat. § 60K.49, subd. 2 (2008) by failing to obtain an appointment with an insurer before engaging in the business of insurance.

14. Based upon the facts set forth in the Statement of Charges enumerated above, Respondent violated Minn. Stat. § 72A.20, subd. 18 (a)(b) (2008) by improperly withholding, misappropriating, or converting money belonging to a policyholder, beneficiary, or other person when received in the course of the insurance business and engaging in a fraudulent, coercive, or dishonest practice in connection with the insurance business, constituting an unfair method of competition and an unfair and deceptive act or practice.

15. Based upon the facts set forth in the Statement of Charges enumerated above, Respondent violated Minn. Stat. § 72A.03 (2008) by fraudulently procuring payment or an obligation for the payment of insurance premiums.

16. Based upon the facts set forth in the Statement of Charges enumerated above, Respondent violated Minn. Stat. § 82.35 1(b) and (f) (2008) by engaging in a fraudulent, deceptive, or dishonest practice.

17. Based upon the facts set forth in the Statement of Charges enumerated above, Respondent violate Minn. Stat. § 82.41, subd. 13(b)(11) and (12) (2008) by failing within a reasonable time to account for or remit any money coming into the licensee's possession which belongs to another and comingling property trust funds of another held by the licensee.

18. Based upon the facts set forth in the Statement of Charges enumerated above, Respondent violated Minn. R. 2795.1000 (2009) by failing to observe high standards of commercial honor and just and equitable principles of trade in the conduct of the agent's insurance business.

19. Based upon the facts set forth in the Statement of Charges enumerated above, Respondent is subject to discipline and/or a civil penalty, but has reserved the right to make argument to the Commissioner regarding the appropriate sanction to be imposed against her.

20. This Order is in the public interest.

Based upon these Conclusions, the Administrative Law Judge makes the following:

### **RECOMMENDATION**

The Administrative Law Judge recommends that the Commissioner of Commerce discipline, censure, and/or impose an appropriate civil penalty against Respondents Cynthia T. Strand and Strand Closing Services, Inc.

Dated: November 15, 2010

s/Manuel J. Cervantes  
MANUEL J. CERVANTES  
Administrative Law Judge

Reported: No Digital Recording

### **NOTICE**

This report is a recommendation, not a final decision. The Commissioner of the Minnesota Department of Commerce will make the final decision after a review of the record. The Commissioner may adopt, reject or modify the Findings of Fact, Conclusions, and Recommendations. Under Minn. Stat. § 14.61, the final decision of the Commissioner shall not be made until this Report has been made available to the parties to the proceeding for at least ten days. An opportunity must be afforded to each party adversely affected by this Report to file exceptions and present argument to the Commissioner. Parties should contact Glenn Wilson, Commissioner, Department of Commerce, 85 Seventh Place East, Suite 500, St. Paul, MN 55101 to learn about the procedure for filing exceptions or presenting argument.

If the Commissioner fails to issue a final decision within 90 days of the close of the record, this Report will constitute the final agency decision under Minn. Stat. § 14.62, subd. 2a. The record closes upon the filing of exceptions to the Report and the presentation of argument to the Commissioner, or upon the expiration of the deadline for doing so. The Commissioner must notify the parties and the Administrative Law Judge of the date on which the record closes.

Under Minn. Stat. § 14.62, subd. 1, the agency is required to serve its final decision upon each party and the Administrative Law Judge by first class mail or as otherwise provided by law.